

# **Request for Proposal for Short-Term and Long-Term Disability Program (DIP)**

## ***Recommendation for Award of Contract***

***November 13, 2018***

### **Background:**

- *March – June 2018:* Development of the RFP scope of work, evaluation criteria, and minimum requirements.
- *June 2018:* Released RFP and provided detailed background and overview information about Delaware’s challenges due to a legislated program design and the need to simplify processes to try and reduce the State’s administrative burden. The Statewide Benefit Office (SBO) was especially interested in learning about the best practices and creative solutions that vendors could offer in specific areas of administrative complexity:
  - STD benefit calculations for Less than 12 Month Educational Employees.
  - Automated coordination with the Workers’ Compensation vendor to offset STD payments and avoid overpayments.
  - Explanation of Benefits (EOBs) to the employer groups in order for HR and Benefit Representatives to correctly apply the STD benefit.
  - Enrollment and billing of the LTD buy-up program for the University of Delaware and four school districts.
  - Customization of the intake process and coordination with resources such as the employee assistance and disease management programs.
  - Online access to the Benefit Representatives and the SBO for management of claims.
  - Transition of vendors, both as the incumbent and a new vendor, from both an administrative and customer service perspective.

Additionally, the SBO was interested in:

- The vendor’s resources for improved return-to-work outcomes.

- An improved ratio of the number of claims to claim analysts, along with dedicated versus designated resources for account management support.
- The ability to have an on-site resource for training State Benefit Representatives and payroll staff on the new online system, to identify problems and provide solutions to processes, and to support the return-to-work coordinator which includes the development of a Job Bank.
- *June 2018*: Received intent to bid notices from seven vendors, but due to the customization that would be required to their existing systems in order to meet the State's administrative requirements, four vendors withdrew before submitting a bid – Cigna, Lincoln, Prudential/Sedgwick, and Unum.
- *August and September 2018*: Received bid responses from three vendors – The Hartford (the incumbent), MetLife and The Standard. SBO and Willis Towers Watson (WTW) reviewed the proposals and sent follow-up questions as necessary. Subsequently, The Standard was removed from consideration due to being unable to meet key minimum requirements and having an uncompetitive financial proposal. The remaining two vendors, The Hartford (the incumbent) and MetLife, were designated as finalists and invited to interview. The finalist vendors were asked to present technology demonstrations to SBO and WTW.
- *October 17, 2018*: Finalist interviews were conducted and the PRC considered the analysis of the bid responses, SBO's and WTW's report on the online technology demonstrations, along with the presentations and information provided during the finalist interviews. The finalists were asked to explain how they can meet the State's administrative challenges in innovative and creative ways while providing excellent customer service and account management. Due to time constraints, The Hartford presented an abbreviated demonstration of their improved technology platform that will be available after the contract effective date of July 1, 2019. MetLife was unable to present a real-time demonstration for the PRC of the technology platform. The PRC discussed each vendors' qualifications, their concerns about the administrative and customer service challenges of moving to a new vendor, the technology platform details and impressions of what was demonstrated and the scoring criteria. Afterward, WTW issued additional follow-up questions and conducted reference checks.

- *October 31, 2018*: The PRC reconvened to review and discuss the additional information received from the finalists. Improvements in The Hartford's offer since the initial meeting on October 17, 2018, included a willingness to continue benefit deductions for LTD beneficiaries upon contract termination and a dedicated (not designated) claims analyst team with caseloads of no more than 90 to 100 for STD; 65 for LTD. Scoring was conducted in accordance with the RFP requirements.
- The PRC voted to recommend that the contract be awarded to The Hartford based on the following:
  - The Hartford acquired Aetna's group life and disability insurance book of business and technology platform in late 2017. Those enhancements will be available to the State upon the contract effective date of July 1, 2019, and should provide a meaningful improvement over services available under the current technology platform. Additionally, the State can elect to delay implementation of the change-over until a later date in order to effect a smooth transition.
  - Though MetLife provided an on-line demonstration of their current platform to SBO and WTW, much of the demonstration was done through screen shots versus a real-time demonstration. MetLife indicated this was due to changes being made to the system in 2019, however follow-up questions indicated that the system viewed in the demonstration is what the State can expect for 7/1/19. Both the State and WTW had concerns with the flexibility of the system that was demonstrated through the series of screen shots even though the enhancements as described would allow for more streamlined administration than what is currently provided under The Hartford's current technology platform. As part of the follow-up questions to Met Life regarding their platform changes, it was confirmed that platform enhancements discussed were still in the design phase and would not be available for use by the State of Delaware before CY2020.
  - Though there have been challenges since the beginning of the State's relationship with The Hartford in 2006, The Hartford has customized administrative processes to meet the needs of the State and the statutory provisions of the program, recently integrated an electronic interface with the State's worker's compensation vendor and recently added a dedicated claims analyst to the account. The Hartford has provided assurances of improved technology and account management, reduced caseloads for the claims analysts and offered performance guarantees in support of their commitment. The PRC scored The Hartford higher than MetLife.

- Due to the SBO's inability to devote additional personnel to the program, the cost of an on-site resource is justified for training of employer group HR, benefit representative and payroll personnel to help ensure prompt and complete adherence to disability administration policy and procedures including accurate data entry for calculating benefits and return to work compliance. Both vendors offered savings ranging from \$1 million by The Hartford to \$1.3 million by MetLife over the three year rate guarantee period with a 3% rate cap for optional years four and five. The Hartford offered to replace the dedicated claims analyst at no cost or provide an on-site resource at a cost of \$404,000 for the first three years.
- Moving to MetLife means that The Hartford would need to run-out approximately 550 fully-insured LTD claims in existence at the end of the current contract term (June 30, 2019) of which 250 claims have potential durations of 10+ years. This means that the State would need to have a relationship with The Hartford for this length of time while also administering the DIP with MetLife. Additionally, the administrative challenges of moving to a new vendor would be difficult along with confusion for employees and HR and Benefit Representatives. Extensive training would be required, not only for SBO staff, but for the HR/Benefit Representatives for a July 1, 2019 launch. The PRC determined the disruption of moving to a new vendor did not justify the minor savings offered by MetLife.

As such the PRC recommends the following:

### **Recommendation**

RESOLVED that with respect to the award of a contract pursuant to the Request for Proposal (RFP) for the Short-Term and Long-Term Disability Program (DIP), the Proposal Review Committee recommends to the State Employee Benefits Committee as follows:

- Award to The Hartford for three years with two optional one-year periods.
- Include a dedicated on-site resource at a three year cost of \$404,000.
- Review The Hartford account management and claim analyst support, administration of the disability benefit and conduct an audit and assessment of the new technology platform for use

in considering if a re-procurement and new contract for disability administration is appropriate in three years rather than five.

- Negotiate in the contract and performance guarantees, a commitment to continuous review and process improvement in the areas of STD to LTD transition, timely notification of retroactive social security disability awards resulting in benefit offsets, and return to work services.